

APPLICATION INFORMATION FOR FLOOD CONTROL REVOLVING FUND LOAN
RURAL WATER SUPPLY PROGRAM - IC 14-25-11

1. **INTRODUCTION**

The Rural Water Supply Revolving Fund, created by IC 14-25-11, authorized the granting of loans to a city, town, conservancy district, or special assessment district to establish and modernize rural water supply systems. The eligible entity must have a total population not exceeding 1,250 persons; must have the authority to own, construct, enlarge, maintain, and operate a water system; and must be unable to borrow the necessary funds from the commercial money market. Such loans cannot exceed \$150,000 and must be repaid within twenty (20) years at a rate of 1 1/2 percent (1.5%) interest for the first eight (8) years, and 5 percent (5%) thereafter.

These instructions are prepared as a guide for eligible entities and persons concerned with applications for rural water supply loans. In outlines in sequence the necessary steps to be taken in preparing an application and the processing of the application.

Prior to making an application, the governing body of the eligible entity must adopt a resolution or ordinance authorizing and approving the proposed rural water supply project and authorizing the preparation of an application for a loan.

2. **APPLICATION FOR LOAN**

The application for a loan from the Rural Water Supply Revolving Fund shall be prepared as a verified petition in the form shown in Appendix 1 of these instructions.

The application shall set forth the following information regarding the proposed rural water supply program:

a. **The amount of loan desired.** The maximum amount of a loan is \$150,000. The amount of money to be requested should be determined by subtracting from the cost of the project the sum of the funds available to the municipality for use on the project and the value of services to be performed on the project by the municipality.

b. **The need for the proposed program.** Information should be presented to show the inadequacy of the present water supply system and/or reasons why a new or improved system is needed.

c. **A detailed description of the proposed program.** This section should consist of a description of the nature of the proposed project, supported by a preliminary engineering report which shall include cost studies. The estimate of cost must be prepared by a competent engineer and should be based upon current prices and in enough detail to give sufficient breakdown to permit identification of the cost for principal features of the work to be done. Allowances for contingencies, overhead, etc., should be shown. If the project involves cooperation or cost sharing with a Federal or State agency, the costs should be divided between agencies and itemized so that the cost to the eligible entity can be determined.

d. **Inability to borrow funds.** At least two statements that the eligible entity is unable to borrow the amount of such loan from the commercial money market through the sale of revenue or other bonds signed by individuals separately engaged in the business of buying and selling municipal bonds, shall be included.

e. **Plan for repayment of loan.** This section should include the following information:

i. A statement that the municipality agrees to repay the loan in equal annual installments of principal and to pay, annually, the interest on the unpaid balance of the loan. The repayment schedule may not exceed 20 years. Interest costs are 1 1/2 percent (1.5%) per annum for the first eight (8) years and five percent (5%) per annum thereafter.

ii. A statement showing the funds from which the loan will be repaid (tax, water supply revenue, or both). Include a schedule of income balanced against expenses for operation and maintenance and repayment of loan.

When it is proposed to repay the loan from revenues, the municipality must levy a special tax for one year and at a rate sufficient to pay the annual installment of principal and interest. The proceeds from the special tax must be kept in a special and separate fund. In a subsequent year, if the system's revenues are not sufficient to make the annual payment, the deficiency is made up from the special tax fund. When this occurs, the special tax must be levied in a sufficient amount to return the special tax fund to its required amount. The municipality may repay the loan in full or in part at any time without interest penalty.

In the event the water supply constructed, modernized, enlarged or altered using funds obtained from the Flood Control Revolving Fund is sold to a water supply utility without taxing power, the loan shall be repaid in full prior to the consummation of the sale.

f. **Other information.** The following information shall be included in this statement:

i. An authenticated copy of the resolution or ordinance adopted by the governing body of the eligible entity.

ii. A statement citing the authority giving the eligible entity the right to own, construct, enlarge, maintain and operate a water system.

iii. If the municipality has outstanding previous financial commitments that would affect in any way the ability of the municipality to negotiate a loan from the Flood Control Revolving Fund, copies of the commitments must be included.

iv. A statement that this project is for the purpose of protecting the health, safety and general welfare of the inhabitants of the municipality.

v. Any other information that may be requested or that may be beneficial in explaining a peculiar need or problem.

3. SUBMISSION OF APPLICATION

Six copies of the application should be signed, subscribed and sworn to before a Notary Public and submitted as follows:

Five (5) copies to:

**Indiana Department of Natural Resources
Division of Water
402 W. Washington Street, Rm. W264
Indianapolis, IN 46204**

One (1) copy to:

**Indiana Utility Regulatory Commission
302 W. Washington Street, Rm. E306
Indianapolis, IN 46204**

4. REVIEW BY DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Upon receipt of the application, the Department of Natural Resources will forward one (1) copy to the Department of Environmental Management for review and comments. The Department of Environmental Management will report back to the Department of Natural Resources as to:

- a. The need for funds.
- b. The acceptability of works of improvement for which the loan funds are proposed to be used.

5. REVIEW BY DEPARTMENT OF NATURAL RESOURCES

Upon receipt of the report from the Department of Environmental Management, the Department of Natural Resources will:

- a. Review the application to determine if the proposed works of improvement fit into a comprehensive program for the development of the water resources in the state.
- b. Prepare its report to the Natural Resources Commission for Commission Action.
- c. Send the findings of the Natural Resources Commission together with the report from the Department of Environmental Management to the State Board of Finance.

6. REVIEW BY THE INDIANA UTILITY REGULATORY COMMISSION

The governing board of the eligible entity shall submit one copy of the application to the Utility Regulatory Commission for authorization to borrow funds. The Utility Regulatory Commission will consider:

- a. Whether the application contains an adequate program, within the limits of the maximum loan funds available, to meet the needs of the municipality.
- b. Whether the cost estimates are responsible.
- c. Whether the program for the repayment of the loan is reasonable with due consideration for operation and maintenance expense.

The Indiana Utility Regulatory Commission submits its order on the application for authority to borrow funds directly to the State Board of Finance.

7. ACTION BY THE STATE BOARD OF FINANCE

The State Board of Finance, consisting of the Governor, Auditor of State and Treasurer of State, will review the application for a loan and consider it for approval. One copy of the Board of Finance minutes showing the action taken on the application will be transmitted to the Department of Natural Resources.

8. PROCESSING OF APPROVED LOANS

Following approval of an application for a loan, the Auditor of State will prepare an Evidence of Indebtedness and a claim voucher and mail them to the governing board of the municipality receiving the loan. When these documents are signed by the governing board and returned to the Auditor of State, the Evidence of Indebtedness will be forwarded to the Treasurer of State and the claim voucher processed for payment. The Auditor of State will keep a record of the receivables, receipts, expenditures and balances of the Flood Control Revolving Fund. The Treasurer of State will retain the signed note and a record of accounts receivable.

The Board of Finance, the Natural Resources Commission, and Auditor of State will keep a copy for public inspection and for the information of the legislature.

9. APPROVAL OF CONSTRUCTION DRAWINGS, SPECIFICATION, AND COST ESTIMATES

After a loan is made and before the loan funds can be expended for construction or purchase, construction drawings and specifications must be approved by the Department of Environmental Management and if a conservancy district has been formed, the Department of Natural Resources must also approve the construction drawings and specifications.

SUGGESTED FORM OF PETITION FOR APPLYING FOR A LOAN FOR
RURAL WATER SUPPLY PURPOSES I.C. 14-25-11

VERIFIED PETITION FOR A LOAN

FROM THE RURAL WATER SUPPLY REVOLVING FUND

The _____, by its _____, petitioner herein,
(name of eligible entry) (mayor, president or chairperson)

pursuant to _____, dated _____ duly enacted by its
(ordinance or resolution)

_____, (an authenticated copy of said ordinance or resolution
(title of governing board)

attached hereto, made part hereof, and marked Exhibit "A"), herewith petitions and makes

application to the State Board of Finance, the Utility Regulatory Commission, and the

Department of Natural Resources for a loan in the amount of _____ dollars

(\$ _____) from the Rural Water Supply Revolving Fund, IC 14-25-11, as created by

IC 14-28-5.

In support of this application, petitioner herein submits the following statements of pertinent facts, more fully set forth in supporting documents attached hereto, made a part hereof, and collectively marked Exhibit “B”.

1. The amount of the loan desired.
2. A statement of the need for the water supply system.
3. A statement of the program for which the funds will be used, supported by a preliminary engineering report which shall include cost studies.

- (name of eligible entity)

(Notary Public-Printed Name)